

# **Estate Tax**

## **Arizona Department of Revenue**

Pub 900

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To better serve you, the Arizona Department of Revenue offers online assistance and filing of your business taxes. To file your taxes online or to register to use the website, go to [www.aztaxes.gov](http://www.aztaxes.gov).

The Arizona estate tax is a tax on the transfer of property or interest in property. This occurs upon the death of the owner and is levied on the net estate before it is distributed. Arizona estate tax is imposed on the Arizona estate of both resident and nonresident decedents. Arizona does not impose an inheritance or gift tax.

The Office of Estate Tax of the Arizona Department of Revenue processes the estate tax return (Form 76) for taxable estates.

An Arizona estate tax return is required to be filed if federal estate tax return is required.

The Arizona estate tax return should be mailed to the following address:

Arizona Department of Revenue  
Office of Estate Tax  
1600 West Monroe, Room 520  
Phoenix AZ 85007-2650

### **GENERAL INSTRUCTIONS**

#### **Return filing requirements:**

Form 76 is due when the federal estate tax return is required to be filed. If you have obtained a federal extension of time to file your federal estate tax return, the Arizona return is due by the extended federal due date. Please provide a copy of the approved federal extension with the Arizona return. Attach a copy of the federal estate tax return and copies of all documents filed with the federal estate tax return.

You may also apply for an Arizona extension. Use Form 76EXT to apply for an extension of time to file an Arizona Form 76.

#### **Computation of Tax:**

1. Resident Decedent: The Arizona estate tax of an Arizona resident decedent is an amount equal to the federal state death tax credit. If the decedent owned real or tangible personal property located in another state, the Arizona tax is reduced by either (A) or (B), whichever is less:
  - A) The amount of death tax paid to the other state and credited against the federal estate tax, or
  - B) An amount computed by multiplying the federal credit by the following fraction: the numerator is the value of the real property and any tangible personal property located in the other state that is subject to the death tax imposed by that state; the denominator is the value of the decedent's gross estate.
2. Nonresident decedent: The Arizona estate tax of a nonresident decedent is computed by multiplying the federal state death tax credit by the following fraction: the numerator is the value of the Arizona estate and the denominator is the value of the decedent's gross estate. The Arizona estate of a nonresident decedent includes real property and any tangible personal property located in Arizona.

NOTE: The maximum allowable federal state death tax credit is being reduced each year from 2002 through 2004. This phase-out will eliminate the credit in 2005. The Arizona estate tax will similarly be reduced each year from 2002 through 2004 and will be eliminated in 2005.

#### **Payment of Tax:**

The Arizona estate tax is due on or before the date that the Arizona estate tax return is required to be filed, including any extension of the filing due date. If either a federal filing extension (Form 4768) or an Arizona filing extension (Form 76EXT) is approved, the payment due date is the extended filing date. No penalty or interest will be assessed if the return is filed and the tax is paid on or before the extended filing date.

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An election under ARS Section 42-4004 may also be made to pay in installments. The Arizona installment election can only be made if an installment election has been made under §6166 of the Internal Revenue Code and the Arizona estate tax exceeds \$50,000.

### **Interest and Penalties:**

The department charges interest on any tax not paid by the date the return is required to be filed. Interest on delinquent Arizona estate tax is computed at the same rate used by the Internal Revenue Service. Interest is charged even if a payment extension has been granted.

The late filing penalty is computed at 4 ½ percent of the tax required to be shown on the return for each month or fraction of a month the return is late. This penalty cannot exceed 25% of the tax remaining due.

The late payment penalty is computed at ½ of 1 percent (.005) of the amount shown as tax for each month or fraction of a month for which the failure continues. This penalty cannot exceed a total of 10 percent.

NOTE: The maximum combined late filing and late payment penalties cannot exceed 25 %.

The department will only allow a six month extension to pay taxes and will not grant any additional time.

### **Changes in the Federal Return or Federal Estate Tax:**

The Department must be notified immediately if a federal estate tax return is amended or adjusted as a result of a federal audit, tax refund claim, or for any other reason.

### **Application for Waiver of Tax Application filing requirements:**

If an estate requires a tax lien waiver from the department in order to transfer property prior to receiving the *Internal Revenue Service Closing Letter*, the department may issue a partial waiver upon request.

Arizona Form 72, Application for Waiver of Tax, must be filed with the Office of Estate Tax of the Arizona Department of Revenue to obtain any required partial tax waivers.

### **All correspondence should be sent to:**

Arizona Department of Revenue  
Office of Estate Tax  
1600 West Monroe, Room 520  
Phoenix AZ 85007-2650

For more information on estate tax, please call 602-716-3809.

For forms, you may visit our web site at [www.revenue.state.az.us](http://www.revenue.state.az.us) or you may call (602) 542-4643.

This document is available in an alternative format upon request.